

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01  
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02  
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/072 W

-----171336Z 077703 /50

R 170916Z FEB 77  
FM AMEMBASSY BUDAPEST  
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INFO AMEMBASSY MOSCOW  
AMEMBASSY VIENNA  
AMCONSUL MUNICH  
USMISSION NATO BRUSSELS  
AMEMBASSY BERLIN  
AMEMBASSY BUCHAREST  
AMEMBASSY PRAGUE  
AMEMBASSY SOFIA  
AMEMBASSY WARSAW

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E O 11652: NA  
TAGS: EGEN EAGR ETRD HU  
SUBJ: 1977 ECONOMIC RESULTS

REFS: (A) 76 BUDAPEST A-19 (B) 76 BUDAPEST 1718  
(C) 76 BUDAPEST 2274 (D) 76 BUDAPEST A-86  
(E) 76 VIENNA 9214 (F) 76 BUDAPEST 4251  
(G) VIENNA 327 (H) VIENNA 331 (I) BUDAPEST 242

1. BEGIN SUMMARY: CENTRAL STATISTICAL OFFICE (CSO) FEB 13  
RELEASED DETAILED REPORT ON ECONOMIC RESULTS FOR 1976.  
INFORMATION CONFIRMS PREVIOUS EMBASSY REPORTING WITH  
SOME MINOR ADDITIONAL DETAILS. JANUARY MONTHLY STATISTICAL  
BULLETIN ALSO AVAILABLE. ONLY SURPRISE IS SOMEWHAT BETTER  
THAN EXPECTED FOREIGN TRADE RESULTS. EMBASSY HAS ALREADY  
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PROVIDED COMMENTS ON 1976 RESULTS (REFTELS). END SUMMARY.

2. THREE PER CENT DROP IN AGRICULTURAL OUTPUT HELD DOWN  
GROWTH IN NATIONAL INCOME IN 1976 TO THREE PER CENT;  
INDUSTRIAL PRODUCTION CONSEQUENTLY INCREASED BY ONLY 4.1  
PER CENT, LARGELY AS A RESULT OF DECLINE IN MEAT AND FOOD  
PRESERVING INDUSTRIES. WHILE NOMINAL WAGES ROSE 5.5 PER

CENT, CONSUMER PRICE INCREASE OF FIVE PER CENT HELD REAL WAGE GROWTH TO 0.5 RPT 0.5 PER CENT; WITH ADDITION OF SOCIAL BENEFITS IN CASH AND KIND, PER CAPITA REAL INCOME EKED OUT ONE PER CENT RISE (REFS (F) AND (I)). CONSUMPTION ROSE SLIGHTLY FASTER, INDICATING SOME DISSAVING.

3. TWENTY-FIVE (25) PER CENT OF NATIONAL INCOME WENT TO ACCUMULATION, AND 150 BILLION FORINTS WERE SPENT ON SOCIALIST SECTOR INVESTMENTS; AS PREVIOUSLY REPORTED (REF (I)), ACTUAL INCREASE IN INVESTMENT VOLUME WAS NIL. ACCORDING TO CSO REPORT, ONE FAVORABLE DEVELOPMENT WAS LOWER PERCENTAGE OF "CONSTRUCTION" INVESTMENTS, AS OPPOSED TO PRODUCTIVE INVESTMENTS.

4. INDUSTRIAL IMPROVEMENT AGAIN LED IN 1976 BY CHEMICAL SECTOR (UP 11.1 PER CENT); AS EXPECTED, COAL PRODUCTION ABOUT EQUALLED 1975 LEVEL, WHILE NATURAL GAS OUTPUT INCREASED TO OVER SIX BILLION CUBIC METERS. PRODUCTIVITY IN NON-AGRICULTURAL INDUSTRIES REPORTEDLY IMPROVED 4.9 PER CENT.

5. PROBLEMS EARLY IN YEAR IN PORK PRODUCTION (REFS (B) AND (C))) AND SUMMER VEGETABLES (REF (D)), COMBINED WITH DISASTROUS YEAR IN CORN AND POOR YEAR FOR SUGAR BEETS OFFSET SATISFYING INCREASE IN WHAT PRODUCTION TO 5.1 MILLION TONS. ALTHOUGH WHEAT YIELDS REACHED RECORD LEVELS, CORN PRODUCTION FELL ALMOST TWO MILLION TONS TO 5.2 MILLION TONS, WITH A CORRESPONDING DROP IN AVERAGE YIELDS TO 38.7 QUINTALS PER HECTARE (REFS (E), (G), AND (H)).  
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BY YEAR END, AS EXPECTED, PIG STOCKS HAD INCREASED SUBSTANTIALLY, THUS PREPARING WAY FOR MUCH BETTER YEAR IN 1977.

6. POPULATION CHANGE WAS VIRTUALLY NIL, WITH YEAR-END TOTAL OF 10.6 MILLION; ACTUAL NUMBER OF BIRTHS IN 1976 DROPPED, AND NUMBER OF PENSIONERS INCREASED BY NEARLY FOUR PER CENT.

7. GROWTH IN DOMESTIC CONSUMPTION, AFTER SUMMER PROBLEMS WITH VEGETABLES, POTATOES AND FRUIT, WAS "SATISFACTORY," WITH INCREASES IN BOTH CONSUMER DURABLE AND FOODSTUFF CONSUMPTION. HOUSING INCREASED ABOUT ON TARGET; 32,400 DWELLINGS WERE PROVIDED BY STATE FUNDS AND 61,500 FROM PRIVATE SOURCES.

8. COMPARED WITH PREVIOUS YEARS' INCREASES, TOURISM LAGGED CONSIDERABLY IN 1976. THE 11 PER CENT INCREASE IN THOSE SPENDING MORE THAN ONE DAY IN HUNGARY (TOTAL: 5.6

MILLION) CONSISTED ENTIRELY OF RUBLE SPENDERS; ACTUAL NUMBER OF WESTERN TOURISTS DROPPED SLIGHTLY. REFLECTING CONTINUED HUNGARIAN TRAVEL LIBERALITY, NUMBER OF MAGYARS VISITING ABROAD WAS UP 13 PER CENT, TO 3.9 MILLION.

9. LAJOS OSVATH, HEAD OF ECONOMIC DEPARTMENT AT MINISTRY OF FOREIGN TRADE, AS HE DID LAST YEAR, DISCUSSED FOREIGN TRADE RESULTS WITH PRESS FEB 10. ACCORDING TO VILAG-GASDASAG REPORT OF OSVATH BRIEFING, RUBLE EXPORTS INCREASED 13.7 PER CENT, IMPORTS 8.4 PER CENT, (NOTE: ACCORDING TO MONTHLY STATISTICAL BULLETIN THIS RESULTED IN ANNUAL RUBLE DEFICIT OF 247 MILLION RUBLES, A SLIGHT IMPROVEMENT OVER 1975'S 293-MILLION RUBLE LOSS. THIS IMPROVEMENT IS DUE TO 46 MILLION POSITIVE BALANCE IN DECEMBER.) OSVATH POINTED OUT, AS HAS EMBASSY (REF (I)), THAT GROWTH IN CEMA TRADE LOWER THAN NORMAL, SINCE 1976 WAS FIRST YEAR OF FIVE-YEAR PLAN. WHEREAS IN 1976, OSVATH UNCLASSIFIED

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HAD NOTED IMPORTANCE OF HARD CURRENCY TRADE WITH SOVIET UNION TO HUNGARY (REF (A)), HE LIMITED HIS COMMENTS THIS YEAR TO STATEMENT THAT USSR QTE HAS AN IMPORTANT ROLE IN HUNGARY'S NON-RUBLE TRADE UNQTE. HARD CURRENCY IMPORTS, WHICH WERE HELD DOWN FOR TEN MONTHS, INCREASED MORE RAPIDLY DURING LAST TWO MONTHS OF YEAR; TOTAL FOR YEAR APPROACHED 1975 LEVEL. DUE TO IMPROVEMENT IN HARD CURRENCY TERMS OF TRADE (REF (I)), DOLLAR VALUE OF EXPORTS INCREASED EVEN MORE, AND CONVERTIBLE CURRENCY TRADE DEFICIT (ACCORDING TO STATISTICAL BULLETIN) DECLINED FROM \$531 MILLION IN 1975, TO \$347 MILLION IN 1976. OSVATH POINTED OUT THAT IMPROVED NON-RUBLE TERMS OF TRADE REFLECTED A SIGNIFICANT DECLINE IN PRICES OF COMMODITIES WHICH HAD EXPERIENCED SHARP PRICE INCREASES IN 1975-76. CHEMICAL INDUSTRY LED IN HARD CURRENCY EXPORT GROWTH, UP 43 PER CENT. AS EXPECTED, AGRICULTURAL AND FOOD INDUSTRY EXPORTS WERE MUCH LOWER THAN IN 1975.

10. COMMENT: NO SURPRISES OR NEW INFORMATION IN EITHER CENTRAL STATISTICAL OFFICE REPORT OR FINAL TRADE FIGURES, WITH EXCEPTION OF DECLINE IN HARD CURRENCY DEFICIT BY AMOUNT GREATER THAN EXPECTED BY SOME GOH OFFICIALS OR EMBASSY. DURING MONTH OF DECEMBER, CONVERTIBLE CURRENCY TRADE BALANCE IMPROVED \$41 MILLION, WHILE FREIGHT AND INSURANCE DEFICIT WORSENER BY \$9 MILLION. OTHER COMMENTS CONTAINED IN PREVIOUS REPORTING; DETAILS ON FOREIGN TRADE WILL FOLLOW BY AIRGRAM. MUDD

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## Message Attributes

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